

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 1999-465-C - ORDER NO. 2000-0228
MARCH 3, 2000

IN RE: Application of CTSI, Incorporated For A) ORDER
Certificate of Public Convenience and) GRANTING
Necessity To Provide Facilities-Based and) CERTIFICATE
Resold Local Exchange and Intrastate)
Interexchange Telecommunications Services)
Throughout the State of South Carolina)

This matter comes before the Public Service Commission of South Carolina (the "Commission") by way of the Application of CTSI, Inc. ("CTSI" or the "Company") requesting a Certificate of Public Convenience and Necessity authorizing it to provide resold and facilities-based local exchange and intrastate interexchange telecommunications services within the State of South Carolina. The Company's application was filed pursuant to S.C. Code Ann. §58-9-280 (Supp. 1999) and the Regulations of the Public Service Commission of South Carolina.

By letter, the Commission's Executive Director instructed CTSI to publish, one time, a prepared Notice of Filing in newspapers of general circulation in the areas affected by the Application. The proposed Notice of Filing was to inform interested parties of the manner and time in which to file the appropriate pleadings for participation in the proceedings. CTSI complied with this instruction and provided the Commission with proof of publication of the Notice of Filing.

A Petition to Intervene was received from the South Carolina Telephone Coalition ("SCTC"). On February 14, 2000, Counsel for SCTC filed with the Commission a Stipulation in which CTSI stipulated that it would only seek authority in non-rural local exchange ("LEC") service areas of South Carolina and that it would not provide any local service to any customer located in a rural incumbent's service area, unless and until CTSI provided written notice of its intent prior to the date of the intended service. CTSI also stipulated that it was not asking the Commission to make a finding at this time regarding whether competition is in the public interest for rural areas. CTSI agreed to abide by all State and Federal laws and to participate to the extent that it may be required to do so by the Commission in support of universally available telephone service at affordable rates. The SCTC withdrew its opposition to the granting of a statewide Certificate of Public Convenience and Necessity to CTSI provided the conditions contained in the Stipulation are met. The Stipulation is approved and attached as Order Exhibit 1.

A hearing was commenced on February 16, 2000, at 10:30 a.m., in the Commission's Hearing Room. The Honorable Philip T. Bradley, presided. Faye Flowers, Esquire, represented the Company. Jocelyn D. Green, Staff Counsel, represented the Commission Staff.

Mark DeFalco, Director of Regulatory Affairs, appeared and offered testimony in support of the Company's application. CTSI seeks to provide resold and facilities-based local exchange and intrastate interexchange telecommunications services throughout the State of South Carolina. The Company plans to provide switched access services to interexchange carriers, Digital Subscriber Line services over its own facilities or by leasing local loops of incumbent local exchange carriers and competitive local exchange

carriers, 911 and enhanced 911 emergency services, directory assistance, operator-assisted calling, dual party relay services, and other services currently provided by incumbent local exchange carriers. In his position as Director of Regulatory Affairs, Mr. DeFalco is responsible for ensuring that the Company complies with all federal, state and local laws; he also appears before federal and state regulatory commissions. In addition, Mr. DeFalco handles all regulatory compliance issues regarding marketing, operations, billing and customer service; he also negotiates interconnection agreements for local exchange services.

CTSI is a wholly-owned subsidiary of Commonwealth Telephone Enterprises, a publicly-traded corporation headquartered in Dallas, Pennsylvania. As of the date of the hearing, CTSI was authorized to provide its local telecommunications services in several states. The Company has never had authority denied in any state where it has applied for authority nor has the Company ever had authority revoked in any state where it has been granted authority.

According to Mr. DeFalco, CTSI has the requisite managerial, technical, and financial ability to provide its telecommunications services in South Carolina. The record reveals the managerial staff of CTSI includes Michael I. Gottdenker (President and Chief Executive Officer), James DePolo (Executive Vice President), John A. Butler (Executive Vice President and Chief Financial Officer), Donald P. Cawley (Vice President and Controller), Raymond J. Dobe, Jr. (Vice President and General Manager), Stuart L. Kirkwood (Vice President of Technology and Strategic Development), and Gary Zingaretti (Vice President of Industry Relations). The managerial staff of CTSI had management and telecommunications experience prior to joining CTSI. Regarding the

Company's technical ability, CTSI plans to operate as a reseller and a facilities-based telecommunications carrier by constructing facilities in the State – these facilities include a switch and physical collocation arrangements in central offices to be determined.

According to the record, the Company's customer service department is open twenty-four hours a day, seven days a week. The customer service department handles routine and emergency repair and maintenance, customer service orders, requests, inquiries, and/or complaints. CTSI will initially rely on the financial assets of its parent company Commonwealth Telephone Enterprises, Inc. when the Company offers its telecommunications services in South Carolina.

The record reveals CTSI will engage in a direct sales force to market its services. The Company provides formal in-house training for its new sales representatives. In addition, CTSI also utilizes third-party verification or a letter of authorization. The record also reveals CTSI's presence in South Carolina will offer customers the convenience of one-stop shopping for both their local, long distance, and high speed data service needs. Further, the testimony also indicates CTSI's presence will motivate incumbent local exchange carriers to reduce their prices, operate more efficiently, offer more innovative services, and improve their quality of service. Mr. DeFalco assured the Commission that upon receiving certification from the Commission, CTSI will comply with the Commission's rules, regulations and orders.

After full consideration of the applicable law, the Company's Application, and the evidence presented at the hearing, the Commission hereby issues its findings of fact and conclusions of law:

FINDINGS OF FACT

1. CTSI is organized as a corporation under the laws of the State of Pennsylvania and has received a certificate from the South Carolina Secretary of State to transact business within South Carolina as a foreign corporation.

2. CTSI wishes to provide local exchange services and interexchange services within the State of South Carolina.

3. The Commission finds that CTSI possesses the technical, financial, and managerial resources sufficient to provide the service requested.

4. The Commission finds that CTSI's "provision of service will not adversely impact the availability of affordable local exchange service." S.C. Code Ann. §58-9-280(B)(3) (Supp. 1999).

5. The Commission finds that CTSI will support universally available telephone service at affordable rates.

6. The Commission finds that CTSI will provide services which will meet the service standards of the Commission.

7. The Commission finds that the provision of local exchange service by CTSI "does not otherwise adversely impact the public interest." S.C. Code Ann. §58-9-280(B)(5) (Supp. 1999).

CONCLUSIONS OF LAW

1. Based on the above findings of fact, the Commission determines that a Certificate of Public Convenience and Necessity should be granted to CTSI to provide competitive resold and facilities-based intrastate local exchange services only to customers located in the non-rural areas of South Carolina. The terms of the Stipulation between CTSI and the SCTC are approved, and adopted as a portion of this Order. Any

proposal to provide local exchange service to a customer in a rural incumbent LEC's service area is not included in the instant grant of authority. Further, the Company is granted authority to provide intrastate interLATA service and to originate and terminate toll traffic within the same LATA, as set forth herein, through the resale of intrastate Wide Area Telecommunications Services (WATS), Message Telecommunications Service (MTS), directory assistance, travel card service or any other services authorized for resale by tariffs of carriers approved by the Commission.

2. With regard to the interexchange service offerings of CTSI, the Commission adopts a rate design which includes only maximum rate levels for each tariff charge. A rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels has been previously adopted by the Commission. In Re: Application of GTE Sprint Communications Corporation, etc., Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984).

3. CTSI shall not adjust its interexchange rates below the approved maximum level without notice to the Commission and to the public. CTSI shall file its proposed rate changes, publish its notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of the changes. However, the public notice requirement is waived, and therefore not required, for reductions below the maximum cap in instances which do not affect the general body of subscribers or do not constitute a general rate reduction. In Re: Application of GTE Sprint Communications, etc., Order No. 93-638, issued in Docket No. 84-10-C (July 6, 1993). Any proposed increase in the maximum rate level for interexchange services reflected in the tariff which would be applicable to the general body of the Company's

subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provisions of S.C. Code Ann. §58-9-540 (Supp. 1999).

4. If it has not already done so by the date of issuance of this Order, CTSI shall file its revised local and long distance tariffs and an accompanying price list within thirty (30) days of receipt of this Order. The revised tariff shall be consistent with the findings of this Order and shall be consistent with the Commission's Rules and Regulations.

5. CTSI is subject to access charges pursuant to Commission Order No. 86-584 in which the Commission determined that for access purposes resellers should be treated similarly to facilities-based interexchange carriers.

6. With regard to the Company's resale of interexchange service, an end-user should be able to access another interexchange carrier or operator service provider if the end-user so desires.

7. CTSI shall resell the services of only those interexchange carriers or LECs authorized to do business in South Carolina by this Commission. If CTSI changes underlying carriers, it shall notify the Commission in writing.

8. With regard to the origination and termination of toll calls within the same LATA, CTSI shall comply with the terms of Order No. 93-462, Order Approving Stipulation and Agreement, in Docket Nos. 92-182-C, 92-183-C, and 92-200-C (June 3, 1993), with the exception of the 10-XXX intraLATA dialing requirement, which has been rendered obsolete by the toll dialing parity rules established by the Federal

Communications Commission, pursuant to the Telecommunications Act of 1996 (See, 47 CFR 51.209).

9. CTSI shall file annual surveillance reports on a calendar or fiscal year basis with the Commission as required by Order No. 88-178 in Docket No. 87-483-C. The proper form for these reports is indicated on Attachment A.

10. Title 23, Chapter 47, South Carolina Code of Laws Ann., governs the establishment and implementation of a "Public Safety Communications Center," which is more commonly known as a "911 system" or "911 service." Services available through a 911 system include law enforcement, fire, and emergency medical services. In recognition of the necessity of quality 911 services being provided to the citizens of South Carolina, the Commission hereby instructs CTSI to contact the appropriate authorities regarding 911 service in the counties and cities where the Company will be operating. Contact with the appropriate 911 service authorities is to be made before beginning telephone service in South Carolina. Accompanying this Order is an information packet from the South Carolina Chapter of the National Emergency Number Association ("SC NENA") with contact information and sample forms. The Company may also obtain information by contacting the E911 Coordinator at the Office of Information Resources of the South Carolina Budget and Control Board. By this Order and prior to providing services within South Carolina, CTSI, shall contact the 911 Coordinator in each county, as well as the 911 Coordinator in each city where the city has its own 911 system, and shall provide information regarding the Company's operations as required by the 911 system.

11. The Company shall, in compliance with Commission regulations, designate and maintain an authorized utility representative who is prepared to discuss, on a regulatory level, customer relations (complaint) matters, engineering operations, tests and repairs. In addition, the Company shall provide to the Commission in writing the name of the authorized representative to be contacted in connection with general management duties as well as emergencies which occur during non-office hours.

CTSI shall file the names, addresses and telephone numbers of these representatives with the Commission within thirty (30) days of receipt of this Order. Attachment B shall be utilized for the provision of this information to the Commission. Further, the Company shall promptly notify the Commission in writing if the representatives are replaced.

12. CTSI shall conduct its business in compliance with Commission decisions and Orders, both past and future, including but not limited to, any and all Commission decisions which may be rendered in Docket No. 96-018-C regarding local competition.

13. The Company is directed to comply with all Rules and Regulations of the Commission, unless a regulation is specifically waived by the Commission.

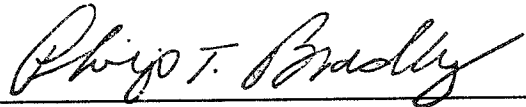
14. CTSI shall file annual financial information in the form of annual reports and gross receipts reports as required by the Commission. The annual report and the gross receipt report will necessitate the filing of intrastate information. Therefore, CTSI shall keep financial records on an intrastate basis for South Carolina to comply with the annual and gross receipts filings.

15. By its Application, CTSI requested waivers from Commission requirements (1) of publishing a directory, (2) of filing a map showing its certificated

area and/or exchange service area(s), (3) of maintaining its books and records in conformance with the Uniform System of Accounts, (4) of maintaining its records required under the rules within the State of South Carolina and (5) of any reporting requirements which are not applicable to competitive providers. The Commission finds the reasoning behind CTSI's requests for waivers of publishing a directory, maintaining its books and records in conformance with the Uniform System of Accounts, filing a map showing its certificated area and/or exchange service area(s), and maintaining its records required under the rules within the State of South Carolina reasonable and hereby grants the waivers of these regulations. The Commission denies the Company's request for a waiver of any reporting requirements which are applicable to incumbent LECs. In the future, upon the request of the Company, this Commission may grant a waiver of a specific regulation if the Company demonstrates that compliance with the regulation introduces unusual difficulty and that the waiver is in the public interest. However, CTSI is directed to comply with all Rules and Regulations of the Commission, unless a regulation is specifically waived by the Commission.

16. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



Chairman

ATTEST:



Executive Director

(SEAL)

DOCKET NO. 1999-465-C- ORDER NO. 2000-0228
MARCH 3, 2000
ATTACHMENT A

**ANNUAL INFORMATION ON SOUTH CAROLINA OPERATIONS
FOR INTEREXCHANGE COMPANIES AND AOS'S**

COMPANY NAME

FEI NO.

ADDRESS

CITY, STATE, ZIP CODE

PHONE NUMBER

- (1) SOUTH CAROLINA OPERATING REVENUES FOR THE 12 MONTHS ENDING
DECEMBER 31 OR FISCAL YEAR ENDING _____.
- (2) SOUTH CAROLINA OPERATING EXPENSES FOR THE 12 MONTHS ENDING
DECEMBER 31 OR FISCAL YEAR ENDING _____.
- (3) RATE BASE INVESTMENT IN SOUTH CAROLINA OPERATIONS* FOR
12 MONTHS ENDING DECEMBER 31 OR FISCAL YEAR ENDING _____.
- * THIS WOULD INCLUDE GROSS PLANT, ACCUMULATED DEPRECIATION,
MATERIALS AND SUPPLIES, CASH WORKING CAPITAL, CONSTRUCTION WORK IN
PROGRESS, ACCUMULATED DEFERRED INCOME TAX, CONTRIBUTIONS IN AID OF
CONSTRUCTION AND CUSTOMER DEPOSITS.
- (4) PARENT'S CAPITAL STRUCTURE* AT DECEMBER 31 OR FISCAL YEAR ENDING
_____.
- * THIS WOULD INCLUDE ALL LONG TERM DEBT (NOT THE CURRENT PORTION
PAYABLE), PREFERRED STOCK AND COMMON EQUITY.
- (5) PARENT'S EMBEDDED COST PERCENTAGE (%) FOR LONG TERM DEBT AND
EMBEDDED COST PERCENTAGE (%) FOR PREFERRED STOCK AT YEAR ENDING
DECEMBER 31 OR FISCAL YEAR ENDING _____.
- (6) ALL DETAILS ON THE ALLOCATION METHOD USED TO DETERMINE THE AMOUNT
OF EXPENSES ALLOCATED TO SOUTH CAROLINA OPERATIONS AS WELL AS
METHOD OF ALLOCATION OF COMPANY'S RATE BASE INVESTMENT (SEE #3
ABOVE).

SIGNATURE

NAME (PLEASE TYPE OF PRINT)

TITLE

AUTHORIZED UTILITY REPRESENTATIVE INFORMATION

PURSUANT TO SOUTH CAROLINA PUBLIC SERVICE COMMISSION REGULATION
103-612.2.4(b) - Each utility shall file and maintain with the Commission the name, title, address, and telephone number of the persons who should be contacted in connection with General Management Duties, Customer Relations (Complaints), Engineering Operations, Test and Repairs, and Emergencies during non-office hours.

Company Name (Including dba Name(s) or Acronyms used or to be used in South Carolina)

Business Address

City, State, Zip Code

A.

General Manager Representative (Please Print or Type)

Telephone Number / Facsimile Number / E-mail Address

B.

Customer Relations (Complaints) Representative (Please Print or Type)

Telephone Number / Facsimile Number / E-mail Address

C.

Engineering Operations Representative (Please Print or Type)

Telephone Number / Facsimile Number / E-mail Address

D.

Test and Repair Representative (Please Print or Type)

Telephone Number / Facsimile Number / E-mail Address

E.

Contact for Emergencies During Non-Office Hours (Please Print or Type)

Telephone Number / Facsimile Number / E-mail Address

F.

Financial Representative (Please Print or Type)

Telephone Number / Facsimile Number / E-mail Address

G.

Customer Contact Telephone Number for Company (Toll Free)

This form was completed by

Signature

**If you have any questions, contact the Consumer Services Department (803-896-5230)
or Utilities Department at (803-896-5105).**

BEFORE
THE PUBLIC SERVICE COMMISSION
OF
SOUTH CAROLINA

Docket No. 1999-465-C

Re: Application of CTSI, Inc. for a Certificate of)
Public Convenience and Necessity to Provide)
Resold and Facilities-based Local Exchange)
and Intrastate Interexchange Telecommunications)
Services in the State of South Carolina)
_____)

STIPULATION

The South Carolina Telephone Coalition ("SCTC") (see attachment "A" for list of companies) and CTSI, Inc. ("CTSI") hereby enter into the following stipulations. As a consequence of these stipulations and conditions, SCTC does not oppose CTSI's Application. SCTC and CTSI stipulate and agree as follows:

1. SCTC does not oppose the granting of a statewide Certificate of Public Convenience and Necessity to CTSI, provided the South Carolina Public Service Commission ("Commission") makes the necessary findings to justify granting of such a certificate, and provided the conditions contained within this stipulation are met.
2. CTSI stipulates and agrees that any Certificate which may be granted will authorize CTSI to provide service only to those customers that are not located in areas served by the rural local exchange telephone companies listed in Attachment A hereto, except as provided herein.
3. CTSI stipulates that it is not asking the Commission to make a finding at this time regarding whether competition is in the public interest for rural areas.
4. CTSI stipulates and agrees that it will not provide any local service, by its own facilities or otherwise, to any customer located in a rural incumbent LEC's service area, unless and

until CTSI provides such rural incumbent LEC and the Commission with written notice of its intent to do so at least thirty (30) days prior to the date of the intended service. During such notice period, the rural incumbent LEC will have the opportunity to petition the Commission to exercise all rights afforded it under Federal and State law. Also, CTSI acknowledges that the Commission may suspend the intended date for service in rural LEC territory for ninety (90) days while the Commission conducts any proceeding incident to the Petition or upon the Commission's own Motion, provided that the Commission can further suspend the implementation date upon showing of good cause.

5. CTSI stipulates and agrees that if CTSI gives notice that it intends to serve a customer located in a rural incumbent LEC's service area, the Commission receives a Petition from the rural incumbent LEC to exercise its rights under Federal or State law, or the Commission institutes a proceeding of its own, then CTSI will not provide service to any customer located within the service area in question without prior and further Commission approval.

6. CTSI acknowledges that any right which it may have or acquire to serve a rural telephone company service area in South Carolina is subject to the conditions contained herein, and to any future policies, procedures, and guidelines relevant to such proposed service which the Commission may implement, so long as such policies, procedures, and guidelines do not conflict with Federal or State law.

7. The parties stipulate and agree that all rights under Federal and State law are reserved to the rural incumbent LECs, and this Stipulation in no way suspends or adversely affects such rights, including any exemptions, suspensions, or modifications to which they may be entitled.

8. CTSI agrees to abide by all State and Federal laws and to participate, to the extent it may be required to do so by the Commission, in the support of universally available telephone service at affordable rates.

9. CTSI hereby amends its application and its prefiled testimony in this docket to the extent necessary to conform with this Stipulation.

AGREED AND STIPULATED to this 11th day of February, 2000.

CTSI, Inc.:

Mark DeFalco

South Carolina Telephone Coalition:

Margaret M. Fox

M. John Bowen, Jr.
Margaret M. Fox
McNAIR LAW FIRM, P.A.
Post Office Box 11390
(803) 799-9800

Attorneys for the South Carolina Telephone
Coalition

ATTACHMENT A

South Carolina Telephone Coalition Member Companies for Purposes of Local Service Stipulation

ALLTEL South Carolina, Inc.
Bluffton Telephone Company, Inc.
Chesnee Telephone Company
Chester Telephone Company
Farmers Telephone Cooperative, Inc.
Ft. Mill Telephone Company
Hargray Telephone Company, Inc.
Heath Springs Telephone Company Inc.
Home Telephone Company, Inc.
Lancaster Telephone Company
Lockhart Telephone Company
McClellanville Telephone Company
Norway Telephone Company
Palmetto Rural Telephone Cooperative, Inc.
Piedmont Rural Telephone Cooperative, Inc.
Pond Branch Telephone Company
Ridgeway Telephone Company
Rock Hill Telephone Company
Sandhill Telephone Cooperative, Inc.
St. Stephen Telephone Company
West Carolina Rural Telephone Cooperative, Inc.
Williston Telephone Company

BEFORE
THE PUBLIC SERVICE COMMISSION
OF
SOUTH CAROLINA

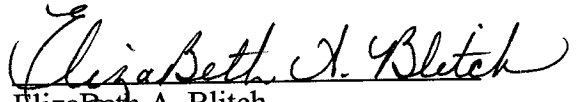
Docket No. 1999-465-C

Re: Application of CTSI, Inc. for a Certificate of)
Public Convenience and Necessity to Provide)
Resold and Facilities-based Local Exchange)
and Intrastate Interexchange Telecommunications)
Services in the State of South Carolina)
_____)

**CERTIFICATE OF
SERVICE**

I, ElizaBeth A. Blich, do hereby certify that I have this date served one (1) copy of the foregoing Stipulation upon the following party of record by causing said copy to be deposited with the United States Mail, first class postage prepaid to:

Faye A. Flowers, Esquire
Parker, Poe, Adams and Bernstein
Post Office Box 1509
Columbia, South Carolina 29202-1509.


ElizaBeth A. Blich
McNAIR LAW FIRM, P.A.
Post Office Box 11390
Columbia, South Carolina 29211
(803) 799-9800

February 14, 2000

Columbia, South Carolina